



FISCAL ISSUES REPORT & BUDGET DEVELOPMENT POLICIES

COUNTY EXECUTIVE OFFICE

December 12, 2017

BUDGET DEVELOPMENT | SETTING THE STAGE

- **Five-Year Forecast – October 10th**
 - Set the stage for budget development
 - Projected expenditure and revenue growth
- **Fiscal Issues Report**
 - Highlights fiscal issues likely to occur within the next 2 years
 - Several unknown fiscal issues
- **Proposed Budget Development Policies**
 - Guidelines to departments for developing their requested FY 2018-19 budgets
 - Links budget development to countywide priorities and goals



FISCAL ISSUES REPORT

FY 2018-20

- Overview of significant fiscal issues expected to impact the County over the next 2 fiscal years
- Varying levels of likelihood of occurrence
- Issues selected based on analysis of:
 - Potential losses of State or federal funding
 - Maintenance and capital needs
 - Commitments to established funding plans



ISSUE 1 | DEFERRED MAINTENANCE

DEPARTMENTS

Public Works, General Services, and Community Services

FY 2018-19 Impact	FY 2019-20 Additional Impact
\$5.4 million (ongoing)	\$2.6 million

- Estimated backlog of deferred maintenance projects is approximately \$400 million countywide
- Existing backlogs by department
 - **Public Works:** Pavement, bridges, drainage (including culverts), hardscape, trees, and traffic devices (\$284M)
 - **General Services:** County buildings, systems, and facility infrastructure needs (\$73M)
 - **Community Services:** County park amenities, systems, and infrastructure (\$43M)
- Impacts shown are the difference between the current projected ongoing FY 2018-19 funding and what was originally projected when the plan was adopted in 2015
- 18% share of unallocated discretionary revenue will be allocated to departments based on existing needs and priorities during the budget process; additional options to be reviewed
- In early 2018, Board will be asked to consider issuing debt to fund a combination of projects including deferred maintenance projects



ISSUE 2 | IHSS MANDATED COUNTY SHARE

DEPARTMENT

Social Services

FY 2018-19 Impact	FY 2019-20 Additional Impact
\$0–\$75,000 (ongoing)	\$400,000–\$800,000

- State modified the Maintenance of Effort (MOE) for the In-Home Supportive Services (IHSS) program beginning in FY 2017-18
- Cost inflator will be applied to MOE starting in FY 2018-19 while offsetting State revenue will decrease
- State is currently refining its estimates of offsetting revenue and details on how it will be applied against the MOE are still being finalized
- County’s estimated MOE increase over current year
 - **FY 2018-19:** \$400,000 to \$700,000
 - **FY 2019-20:** Add’l \$400,000 to \$800,000
- \$625,000 was set aside in the FY 2017-18 Adopted Budget to buffer against higher IHSS costs in FY 2018-19 – lowers the net impact in FY 2018-19

Estimates based solely on wage levels included in current MOU with labor that expires in June 2019



ISSUE 3 | IN-CAR VIDEO & COMPUTER SYSTEM REPLACEMENT

DEPARTMENT
Sheriff

FY 2018-19 Impact	FY 2019-20 Additional Impact
\$1 million (one-time)	\$125,000 (ongoing)

- Systems' general life expectancy is 4-5 years; current equipment in patrol vehicles is in its fifth year of life and beginning to fail
- Replacement equipment packages cost about \$15,000 per unit; current need is 67 units at a total approximate cost of \$1 million
- Critical safety information would be broadcast verbally via radio transmission if current units were to fail
- Sufficient ongoing funding should also be set aside for the purchase of replacement equipment at the end of the expected service life



ISSUE 4 | INPATIENT SYSTEM OF CARE REVENUE LOSS & IMD CLIENT SERVICES COST INCREASES

DEPARTMENT

Behavioral Wellness

FY 2018-19 Impact	FY 2019-20 Additional Impact
\$4 million (ongoing)	\$0

- Inability to maximize Psychiatric Health Facility (PHF) revenue due to current client services mix
 - Administrative day stays at the PHF impact Institute for Mental Disease (IMD) services and depress PHF revenue
 - Higher demand for short- and long-term IMD services driving increased costs
- Department continuing efforts to reduce the number of contracted IMD beds and improve revenues
- Department currently analyzing potential for additional in-county acute involuntary and long-term care beds



ISSUE 5 | PUBLIC SAFETY COMMUNICATIONS SYSTEM REPLACEMENT

DEPARTMENT

General Services

FY 2018-19 Impact	FY 2019-20 Additional Impact	Beyond FY 2019-20
\$0 (planning stage)	\$10s of millions phased over several years	Set aside annual amount for replacement system

- System is nearing end-of-life
 - Beyond manufacturer support and unable to support new technologies
 - Coverage issues
- Currently seeking contract with Federal Engineering
 - Provide options for a cutover plan
 - Costs for replacing current radio system and information needed to determine next steps will be available at the end of the contract
- \$4 million currently set aside for system replacement



ISSUE 6 | PUBLIC SAFETY PORTABLE RADIO REPLACEMENT

DEPARTMENTS

Sheriff, Fire, and Probation

FY 2018-19 Impact	FY 2019-20 Additional Impact
\$420,000 (ongoing for 5 yrs.)	Ongoing amount to build up replacement funds

- Existing portable radios do not meet the needs for coverage and reliability
 - Beyond expected service life and manufacturer support
 - Experiencing increasing rates of failure and performance issues
- Multi-phase plan to replace public safety radios
 - \$300,000 committed to replace radios, mostly in the Probation Department, in FY 2017-18
 - Fiscal issue relates to second phase, replacement of 325 Sheriff's Office radios
 - Fire Department will fund replacement of their own radios
- Ongoing amount will need to be committed for future replacement



ISSUE 7 | SOLAR PROJECTS

DEPARTMENT

General Services

FY 2018-19 Impact	FY 2019-20 Additional Impact
\$4 million (one-time)	\$2 million (ongoing for 5 yrs.)

- Board requested Department to return with new solar projects based on success of solar array project at the Calle Real Campus
- RFP issued for 4 potential projects
 - Department will provide summary to, and receive further direction from, the Board in early 2018
 - Projects anticipated to be initiated in FY 2018-19



ISSUE 8 | SOUTH COUNTY MAIN JAIL FACILITIES, DEFERRED MAINTENANCE & OTHER OPERATIONAL COSTS

DEPARTMENTS

General Services and Sheriff

FY 2018-19 Impact	FY 2019-20 Additional Impact
\$0	\$5 million (ongoing for 5 yrs.)

- Significant backlog of needed repairs at the South County Main Jail Facilities
- Contracted with Vanir Construction Management to develop implementation plan that will evaluate potential strategies to address deferred maintenance needs and ADA issues
- Work expected to begin in FY 2019-20 once the Northern Branch Jail opens
- Other operational needs include shift relief staffing if overall inmate population at the Main Jail does not decrease
 - Sheriff will look at feasibility of consolidating certain functions at the Main Jail to reduce staffing needs as part of Renew '22 proposals



ISSUE 9 | VINTAGE RANCH BRIDGE PROJECT

DEPARTMENT

Public Works

FY 2018-19 Impact	FY 2019-20 Additional Impact
\$400,000–\$500,000 (one-time)	\$0

- Development Plan for Key Site 7 (Vintage Ranch) includes construction of a bridge and construction of a public hiking trail through the public open space area
 - Required by Orcutt Community Plan (OCP) and site-specific EIR for Vintage Ranch
- Bridge was not identified on list of funded projects in the Orcutt Transportation Improvement Plan (OTIP)
 - OTIP fees not assessed for bridge
 - Applicant will seek reimbursement from the County based on the OCP language



ISSUE 10 | WALLER PARK IRRIGATION WELL REPLACEMENT

DEPARTMENT

Community Services

FY 2018-19 Impact	FY 2019-20 Additional Impact
\$750,000 (one-time)	\$0

- Existing well is failing due to extreme corrosion of the well casing
- Smaller temporary pump installed to continue irrigation of the park is not a sustainable solution
- Deeper well design proposed to utilize aquifer zones; estimated cost for rehabilitating and drilling a deeper well is \$750,000
- Department currently in discussions with the Laguna Sanitation District to bring recycled water into the park at an annual cost of \$226,000
 - Uncertain that adequate amount of water could be provided for entire park
 - New well would help offset costs regardless of completion of Laguna Sanitation project



FISCAL ISSUES REPORT | LOOKING FORWARD

- **Other Potential Issues**

- Changes to the Affordable Care Act – Uncertain future
- Northern Branch Jail Funding Plan – Not an issue now; continue to monitor
- Projected structural deficits in some departments, particularly those dependent on State and federal funding, caused by increases in pension costs, regular salaries, and health insurance contributions

- **Challenge to align expenditures with revenues**

- Rising salary and benefit costs
- Uncertain State and federal revenues
- Changing service demands

- **Renew '22**

- Rebalancing strategies and implementation plans
- Actions for consideration in advance of budget development





BUDGET DEVELOPMENT POLICIES

FY 2018-19

- Policies similar to those of prior years including continued suspension of Strategic Reserve funding and Outside Agency funding requests
- Notable changes
 - General Fund Contribution Allocation Policy
 - Presentation of Departmental FTE Counts



NOTABLE CHANGES

- **Strategic Reserve Funding** (Policy 5)

- Contributions suspended again for FY 2018-19 budget
- Existing Reserve: \$29.9 million

7.3% of FY 2017-18 adopted general fund operating revenues of \$407.1 million

- **General Fund Contribution Allocation Policy** (Policy 2b)

- Initial Department GFC allocations equal to adopted contribution for FY 2017-18 less any one-time allotments

- **Presentation of Departmental FTE Counts**

- Extra Help and Contractor on Payroll positions to be excluded from Departmental FTE counts in D-pages to ensure consistency in the reporting of FTEs across departments



RECOMMENDED ACTIONS

- a) Receive and file the Fiscal Years 2018-20 Fiscal Issues Report, including significant fiscal challenges expected to impact the County in the next two fiscal years; and
- b) Adopt the Fiscal Year 2018-19 Budget Development Policies, receive staff comments and provide direction as appropriate; and
- c) Determine pursuant to CEQA Guidelines §15378 that the above activities are not a project under the California Environmental Quality Act.

